

Message Text

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C O N F I D E N T I A L KINSHASA 5154

LIMDIS

E.O. 11652: GDS

TAGS: EFIN PFOR US CG

SUBJECT: MEETING WITH BISENGIMANA

REF: KINSHASA 5060

1. BISENGIMANA, DIRECTOR OF THE PRESIDENCY, HAS MADE A BELIEVER OF ME (PARA 5 REFTTEL), AT LEAST IN ONE RESPECT. HE TELEPHONED ME TODAY(JUNE 12) AND ASKED ME TO COME TO SEE HIM. HE RECEIVED ME FAIRLY PROMPTLY AND FOR THE FIRST TIME IN OVER SIX MONTHS SAT ME DOWN IN THE COMFORTABLE CHAIRS AT THE END OF HIS OFFICE RATHER THAN ACROSS FROM HIS DESK.

2. HAVING SEEN TOM KING OF GULF LEAVING HIS OFFICE, I COMMENTED THAT THAT IMPORTANT PROJECT WAS GOING WELL. HE SAID, YES, AND HE WAS TRYING TO SORT OUT A SMALL PROBLEM WITH THE MILITARY WHO WERE NOT COOPERATING IN MAKING A STORAGE AREA AVAILABLE NEAR BANANA. I ALSO COMPLIMENTED HIM ON THE PROGRESS HE WAS MAKING ON THE LANDSAT PROGRAM. HE SAID IT WAS IMPORTANT FOR A LARGE COUNTRY LIKE ZAIRE WHICH COULD NOT DO REGULAR GEOLOGICAL EXPLORATION EVERYWHERE TO HAVE THE TYPE OF DATA LANDSAT WOULD PROVIDE SO THAT RESOURCE EXPLORATION COULD BE CONCENTRATED IN THE MORE PROMISING AREAS. THIS ALL BY WAY OF PRELUDE.

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3. TO MY SURPRISE HE THEN RAISED THE SUBJECT OF OUR EXCHANGE AFTER PRESIDENT MOBUTU'S SPEECH JANUARY 21 TO THE AAI. HE SAID HE HAD UNDERSTOOD WHAT I HAD SAID AND WHY I HAD SAID IT BUT THE PRESIDENT HAD RESENTED THE FACT THAT I HAD GONE ON TO MAKE MY VIEWS KNOWN TO A NUMBER OF VISITING AMERICANS. I REPLIED THAT I COULD UNDERSTAND WHY THE PRESIDENT MIGHT RESENT THIS BUT THAT IN POINT OF FACT CONGRESSMAN DIGGS HAD SENT A CABLE WITHIN THE HOUR TO PRESIDENT FORD ON THE SUBJECT AND HAD PROPOSED TO MAKE HIS VIEWS PUBLIC. NOT ONLY HAD I RECEIVED INSTRUCTIONS TO TRY TO DISSUADE HIM FROM THIS BUT HAD BEEN ASKED BY A FAIR NUMBER OF THE MEMBERS OF THE AMERICAN DELEGATION FOR MY REACTION. IN SHORT, I HAD HAD NO CHOICE BUT TO EXPRESS MY VIEWS PRIVATELY TO OTHER THAN HIMSELF. HE SAID HE UNDERSTOOD AND SUGGESTED THAT WE FORGET THE INCIDENT. I SAID, "CONSIDER IT FORGOTTEN."

4. HE THEN SAID THAT A MUTUAL FRIEND OF OURS HAD TOLD HIM THAT I BROUGHT BACK INTERESTING NEWS FROM WASHINGTON. WHAT COULD I TELL HIM ABOUT MY CONSULTATIONS THERE?

5. I SAID THAT I HAD WORKED ON THREE MAIN SUBJECTS: (1) TO PROMOTE UNDERSTANDING OF ZAIRE'S ECONOMIC AND FINANCIAL SITUATION AND TO ENCOURAGE A POSITIVE AMERICAN RESPONSE. (2) TO PUSH ON RAW MATERIAL POLICY IN THE LIGHT OF THE BREAKDOWN OF THE ENERGY PREPCON. (3) THE ROCKWELL REPORT.

6. HE ASKED ABOUT OUR VIEW OF THE FINANCIAL PROBLEMS AND I GAVE HIM A FAIRLY STANDARD REPLY, STRESSING THAT BOTH GOVERNMENT OFFICIALS WITH WHOM I HAD TALKED AND PRIVATE BANKERS WERE DESIROUS OF BEING HELPFUL AND VIEW THE PROBLEM AS ONE ESSENTIALLY OF BRIDGE FINANCING SINCE WE WERE OPTIMISTIC ABOUT THE LONG-RUN FUTURE OF ZAIRE. I COULD TELL HIM THAT MY GOVERNMENT WAS DISPOSED TO PROVIDE SOME MODEST BALANCE OF PAYMENTS ASSISTANCE BUT IT WAS CONDITIONAL. HE ASKED WHAT WAS THE CONDITION AND I SAID IT WOULD BE IN SUPPORT OF AN AGREED ZAIRIAN-CONFIDENTIAL

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IMF ECONOMIC REFORM PROGRAM. HE ASKED, WHAT WOULD THAT MEAN SPECIFICALLY?" I SAID THAT THAT WOULD BE FOR THE FUND AND THE GOVERNMENT OF ZAIRE TO WORK OUT. I ADDED THAT MY UNDERSTANDING WAS IT WOULD RUN TO BUDGETARY RESTRAINT, MONETARY POLICY AND EXCHANGE RATIONING BUT THAT I HAD NOT GONE INTO ANY OF THE DETAILS EXCEPT THAT SINCE I HAD BEEN LED TO BELIEVE THE SUBJECT OF DEVALUATION MIGHT COMPLICATE REACHING AN UNDERSTANDING,

I HAD SPECIFICALLY EXPLORED THIS POINT. I COULD TELL HIM THAT THE FUND INDICATED THAT THERE NEED BE NO COMMITMENTS ON EXCHANGE RATE ADJUSTMENTS IN AN EVENTUAL STANDBY AGREEMENT. I SAID THAT, SPEAKING PERSONALLY AS AN ECONOMIST, I HAD TO TELL HIM THAT IN MY VIEW SUCH EXCHANGE RATE ADJUSTMENTS WERE ESSENTIAL FOR THE LONG-RUN DEVELOPMENT OF ZAIRE BUT THAT CLEARLY THE TIMING OF ANY SUCH DECISION WAS A MATTER TO BE DETERMINED BY THE POLITICAL AUTHORITIES OF ZAIRE.

7. HE SAID THAT I MISJUDGED THE POLITICAL ASPECTS OF THE PROBLEM. THE PRESIDENT WAS PREPARED TO DO WHATEVER WAS NECESSARY TO REESTABLISH THE ZAIRIAN ECONOMY BUT HE HAD NOT BEEN CONVINCED THAT DEVALUATION WAS EXPORT STIMULUS BUT THE PROBLEM ON THE EXPORT SIDE WAS LOW COPPER PRICES. MOREOVER, IN HIS VIEW THERE WERE IMPORTANT PRECONDITIONS WHICH HAD TO BE MET BEFORE ONE WOULD ADJUST THE EXCHANGE RATE. WHAT WAS IMPORTANT WAS SOUND MANAGEMENT OF THE BUDGET, SOUND MANAGEMENT OF THE LIMITED FOREIGN EXCHANGE AVAILABLE, SOUND MANAGEMENT OF THE EXTERNAL DEBT, AND SOUND INVESTMENT DECISIONS FOR THE FUTURE.

8. I AGREED AND REITERATED THAT IN PRESENT CIRCUMSTANCES THERE MIGHT BE MORE DISADVANTAGES THAN ADVANTAGES TO TOUCHING THE EXCHANGE RATE BUT THAT IN MY VIEW THE LONG-RUN AGRICULTURAL DEVELOPMENT OF ZAIRE WOULD REQUIRE THIS AT THE RIGHT MOMENT. UNFORTUNATELY, SINCE SUPPLY RESPONSE IN THE AGRICULTURAL SECTOR WOULD BE SLOW, AT BEST ONE COULD NOT LOOK FOR IMMEDIATE RESULTS THERE, BUT THE CORRECT EXCHANGE RATE WAS A PRECONDITION FOR SOUND AGRICULTURAL DEVELOPMENT, I THOUGHT. THERE MIGHT BE OTHER CONSIDERATIONS AND I SUGGESTED THAT THE MATTER DESERVED SEPARATE IN-DEPTH

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ANALYSIS. I ADDED THAT THERE WAS TIME TO DO THIS SINCE THE FUND WAS NOT PRESSING THIS POINT.

9. BISENGIMANA THEN STATED HE COULD NOT REALLY GRASP WHY I ATTACHED SO MUCH IMPORTANCE TO AGREEMENT WITH THE FUND ZAIRE HAD OPENED ITS BOOKS TO THE FUND MISSION. IT WAS IN CONTINUING CONVERSATION WITH THE FUND. RELATIONS WERE GOOD. ZAIRE APPRECIATED THE FUND'S ANALYTICAL HELP AND WAS ENDEAVORING TO FOLLOW ITS ADVICE. SURELY THAT SHOULD BE ENOUGH.

10. I SAID THAT DECISION WAS FOR ZAIRE TO MAKE BUT THE MISSING ELEMENT WAS THAT "INTANGIBLE FACTOR CALLED CONFIDENCE." I WAS CONVINCED THAT THE BANKERS OF THE WORLD WOULD RESPOND POSITIVELY TO ZAIRE'S CREDIT NEEDS

IF THERE WERE A FUND PROGRAM AND THEY WOULD CONTINUE TO BE MOST HESITANT IN THE ABSENCE OF SUCH A PROGRAM. EXACTLY THE SAME OBJECTIVE FACTS COULD EXIST EXCEPT THAT IN ONE CASE THERE WOULD BE AN AGREEMENT AS TO WHAT WAS BEING DONE AND IN THE OTHER CASE THERE WOULDN'T BE AND BECAUSE OF THE IMPORTANCE FINANCIAL CIRCLES PLACE ON HAVING UNDERSTANDING, THEY WOULD PERFORM QUITE DIFFERENTLY. INDEED, I SAID, THE IMPORTANCE OF WHAT ASSISTANCE THE US AND OTHER GOVERNMENTS MIGHT GIVE WAS NOT TO BE FOUND IN THE AMOUNTS, WHICH WOULD BE SMALL, BUT RATHER IN THE CONTRIBUTION THAT SUCH PROGRAMS WOULD MAKE TO CREATING CONFIDENCE.

11. HE LISTENED INTENTLY AND THEN, LOOKING AT HIS WATCH, SAID HE WAS ALREADY LATE FOR LUNCH WITH THE PRESIDENT. HE WOULD TRY TO CALL ME AT THE LATEST NEXT MONDAY, JUNE 16, TO CONTINUE THE DISCUSSION WHICH HE VIEWED AS USEFUL. DARE I BELIEVE THAT HE WILL?
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